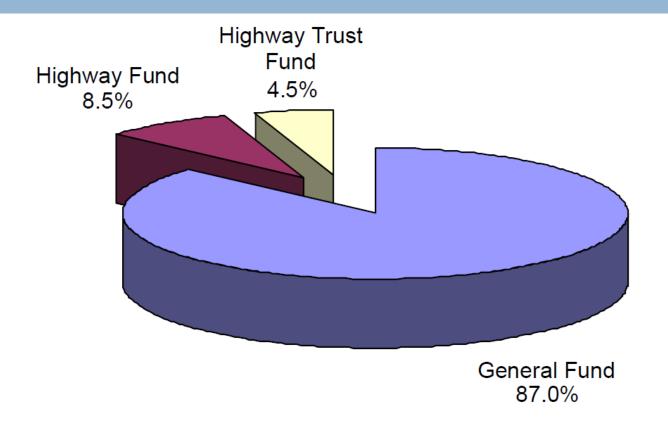
MOTOR FUELS EXCISE TAX AND HIGHWAY USE TAX

Finance Committee, February 16, 2011 Greg Roney, Research Division

Overview-State Tax Collections 2009-2010

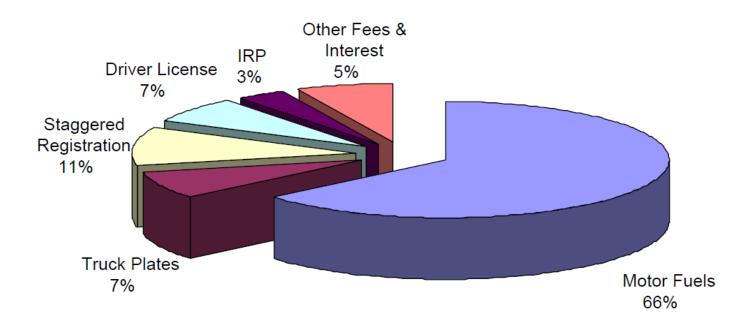


General Fund\$ 17,746,040,209Highway Fund1,731,643,883Highway Trust Fund909,150,646Total\$ 20,386,834,738

Overview-Highway Fund

- Highway Fund revenue used to maintain State's public roads and fund operations of Dept of Transportation
 - Road Maintenance
 - DMV and Highway Patrol
 - Powell Bill/Secondary Roads
- □ Funding Sources
 - Motor Fuels Excise Tax (75% of Tax Collection)
 - Fees: Truck Plates, Vehicle Registration, Driver License

NC Highway Fund Tax Collections

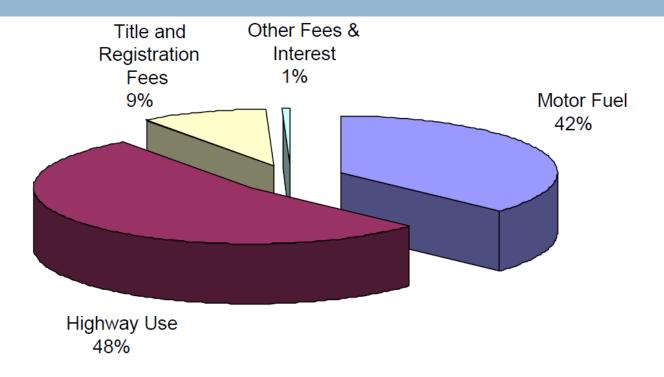


Motor Fuels	\$ 1,145,528,928
Truck Plates	128,136,502
Staggered Registration	189,076,290
Driver License	126,530,919
IRP	58,684,032
Other Fees & Interest	83,687,212
Total	\$ 1,731,643,883

Overview- Highway Trust Fund

- Highway Trust Fund revenue used to design and build public roads
 - Road Construction: Interstate, Urban Loops, Secondary Roads, Aid to Municipalities
 - Other: Match Federal Aid, Administration, NC Turnpike
 Administration Gap Funding, Mobility Fund
- □ Funding Sources
 - Motor Fuels Excise Tax (25% of Tax Collection)
 - Highway Use Tax
 - Fees: Title and Registration Fees

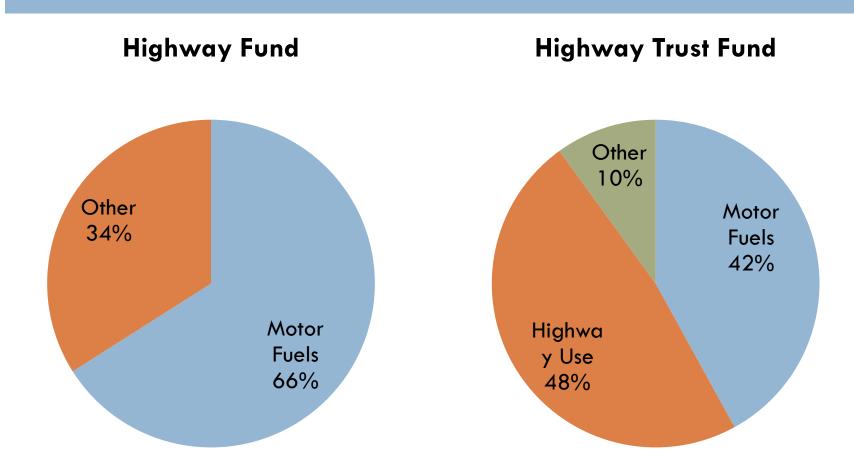
NC Highway Trust Fund Tax Collections



Motor Fuel	\$ 381,909,743
Highway Use	440,483,265
Title and Registration Fees	82,843,951
Other Fees & Interest	3,913,687
Total	\$ 909,150,646

Motor Fuels Excise Tax

Motor Fuels Excise Tax



Motor Fuels Excise Tax-Overview

- All states impose a tax on gasoline
- Distribution
 - □ 75% to Highway Fund
 - 25% to Highway Trust Fund
 - Other distributions: Commercial and Non-Commercial Leaking Petroleum Underground Storage Tank Cleanup Funds; Water and Air Quality Account; Wildlife Resources Fund; Powell Bill

Motor Fuels Excise Tax-History

- Centralization of responsibility for roads with the State
- 1921: Motor Fuels tax imposed at \$0.01
- 1931
 - State assumes responsibility for all roads except city streets
 - Rate is \$0.05 (equivalent to \$0.63 per gallon today)

Motor Fuels Excise Tax-History-Continued

- □ 1951: Powell Bill (Aid to Municipalities)
 - States assumes responsibility for city streets which are part of the state highway system
 - \$0.05 per gallon to cities for their streets
- 1986
 - Rate increased from \$0.12 to \$0.155
 - Variable component was added to rate
 - \$0.14 per gallon fixed rate plus
 - 3% of the average wholesale price

Motor Fuels Excise Tax-History-Continued

- 1989
 - Highway Trust Fund created
 - Rate increased from \$0.157 to \$0.209
 - \$0.17 per gallon fixed rate plus
 - 7% of the average wholesale price
- 1991: Fixed component of rate changed to \$0.175
- □ 2011: No rate changes since 1991
 - \$0.17 per gallon fixed plus 7% of the weighted average wholesale price of motor fuels
 - Floor Rate is \$0.299 until July 1, 2011
 - □ Total Rate: \$0.325 per gallon (1st Quarter 2011)

Motor Fuels Excise Tax-Collection

Interstate Trucking Industry

- 48 contiguous states joined Int'l Fuel Tax Agreement (IFTA)
- Truckers file 1 report to base state reporting and paying fuel taxes for all 48 states
- IFTA clearinghouse handles payments among states
- Major tax reform which simplified tax reporting and unified tax reporting for all contiguous states

"Tax at the Rack"

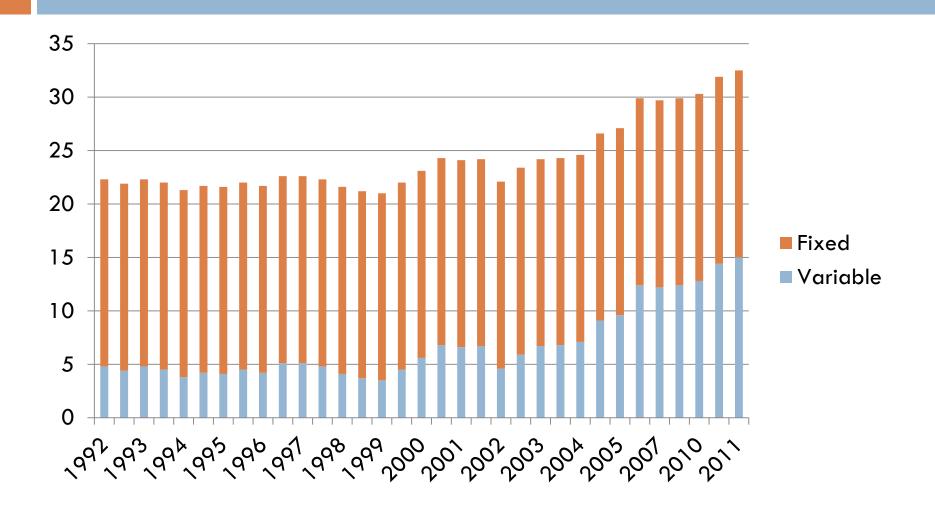
- Collected by wholesale distributors of motor fuels on purchases made from major oil companies
- Tax due when fuel pumped into tanker truck "at the rack"
- Major tax reform which eliminated taxpayers and improved compliance

Motor Fuels Excise Tax-Exemptions and Refunds

- Fuel not used on the highway (100% refund but subject to sales tax)
- Exemptions
 - US Government
 - State Agencies
 - Counties
 - Municipal Corporations
 - Community Colleges
 - Boards of Education
 - Fuel for Export
 - Fuel for Aircraft

- Volunteer fire dept and rescue squads; sheltered workshops; taxicabs; nonprofits operating for a local government (refund of tax paid less \$0.01)
- Concrete mixing vehicles; solid waste compacting vehicles; vehicles delivering and spreading mulch, soil, and similar materials; certain agricultural and tank delivery vehicles (33 1/3 % Refund)

Motor Fuels Excise Tax-Components



Comparison-State Roadways

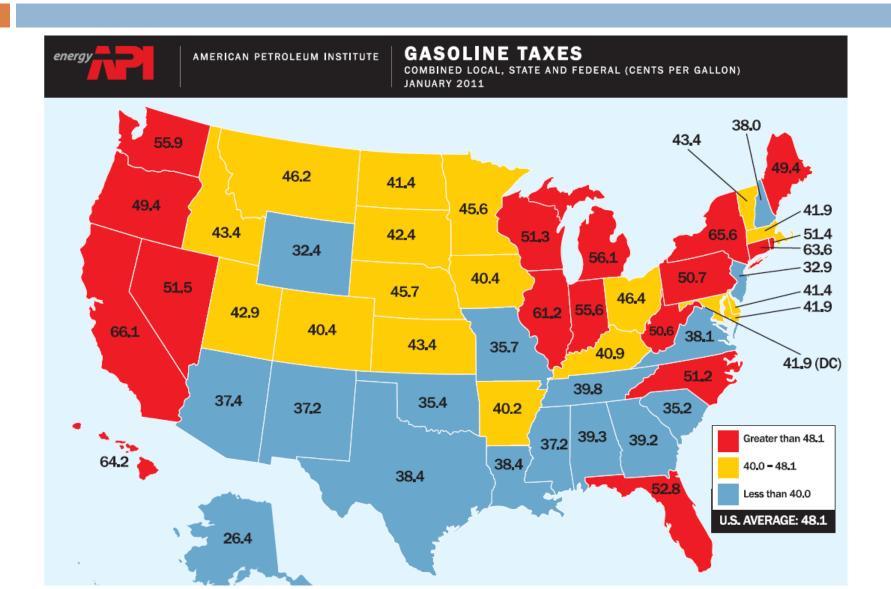
- NC and Texas have largest state-controlled highway systems, over 79,000 miles
- □ NC controls 76% of the road miles
- Comparison to Surrounding States

	Total Miles	State-Controlled	Percentage
Georgia	118,778	17,930	15%
South Carolina	66,249	41,437	63%
Tennessee	91,956	13,886	15%
Virginia	72,659	57,72	79%

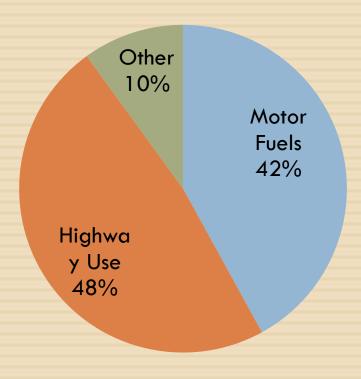
Comparison-State Taxation of Gasoline

- Comparison to Surrounding States
 - Georgia \$0.1530
 - South Carolina \$0.1600
 - Tennessee \$0.2000 (Diesel \$.1700)
 - Virginia \$0.1750 (Surcharge 0.0350)
- □ NC rate is higher than 34 states and lower than 15
- Only NC has a variable rate (some states have a local option that counties can vary)

Comparison-Tax on Gasoline







Highway Use Tax

Highway Use Tax-History

- 41 states impose tax on the sales of motor vehicles
- 1989
 - Highway Trust Fund created
 - Highway Use Tax enacted (3% with \$1,000 cap)
 - Replaced sales tax on motor vehicles (2% with \$300 cap)
 - Sunset when the projects of the Trust Fund completed
- 1993: Cap increased from \$1,000 to \$1,500
- □ 2001: Cap repealed
- 2007: Sunset repealed

Highway Use Tax-Rates and Comparison

Rates:

- Non-Commercial Vehicles3% with no cap
- Commercial Vehicles3% with \$1,000 cap
- Recreational Vehicles
 3% with \$1,500 cap

Base

- Retail price = net purchase price after trade
- Market value for casual sales = schedule set by Commissioner

Comparison to Surrounding States

- □ Georgia 4%
- South Carolina 5%
- □ Tennessee 7%
- □ Virginia 3%

Highway Use Tax-Exemptions

- Exemptions where new title issued but ownership has not changed
 - Change in owner's name
 - Transfer of salvaged vehicle to insurer
 - Divorce
 - Transfer by State of handicapped-equipped vehicles

- Sale to dealer for resale
- Gifts between spouses and parent/child
- Transfer at death of owner
- Transfer for driver's education
- Volunteer fire departments and rescue squads

Highway Use Tax-Companion Tax

□ Rates:

- Long-term Lease (1 year) 3%
- Short-term Lease 8% (General Fund)
- □ Base:
 - Gross receipts from lease or rental